



STATE OF THE STATE ADDRESS

GOVERNOR JANET NAPOLITANO

PRESENTED TO THE 46TH ARIZONA LEGISLATURE
SECOND REGULAR SESSION
JANUARY 12, 2004



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President Bennett, Speaker Flake, Honorable Senators and Representatives, Chief Justice Jones and members of the Supreme Court, members of our Congressional delegation, honored guests, and my fellow Arizonans.

It seems like just yesterday that we first gathered in this chamber. We faced \$1.3 billion in budget deficits, a stagnant economy, and a public skeptical whether Arizona – and in particular Arizona state government – could do anything right.

Looking back, we balanced our budgets while protecting our schools, investing in our universities, and without raising taxes. Together, we passed important legislation on university research funding and technology transfer, as well as critical expansions to the civic plazas for Phoenix and Tucson. And in a special session that ended on a remarkable note of bipartisanship, we made significant progress in addressing child protection and prison overcrowding.

What a difference one year makes.

Along the way, we have reawakened that trademark can-do spirit of Arizona, as citizens from across the state have come forward to help tackle many other challenges that we must address:

- We have partnered with the private sector to create a free prescription drug discount card that offers simplicity, universal senior participation, and substantial savings.
- Businesses and educators alike share our enthusiasm to invest in fundamental school reform, from pre-k to post-graduate studies.
- We have found an eagerness among all interested parties – including many who have not seen eye to eye for years – to sit down together and forge a consensus approach to restoring Arizona's forests.
- And we have enlisted the volunteer help of citizens from all over Arizona to recommend solutions for other challenges, including reforming Child Protective Services, developing Arizona's high tech industry, modernizing Arizona's convoluted tax code, and preserving our military bases.
- State employees played an important role, as well. Through my Efficiency Review process, thousands of them rediscovered the pride they have in working for the State of



Arizona as they helped to generate more than \$843 million in efficiency savings over the next five years.

This is how government gets it right in the new Arizona – by partnering with businesses and empowering individuals to make a personal commitment to the state they choose to call home.

Last year I reported to you that the state of the state was grim, and that we needed to get Arizona moving again. My friends, we are moving again. Our economy is starting to grow. For the first time in a long time, Arizonans believe the state is headed in the right direction. And there is an increasing sense of excitement about the future of the new Arizona.

Nonetheless, we still have a long way to go. Last year when I addressed you, I identified five long-term priorities that must guide our actions. The challenges we now face were years in the making, and they call for long-range solutions. Whether the issue is education reform, forest stewardship or management of state government, we cannot look only to the next election cycle or the next fiscal year for a complete fix. Rather, we must forge meaningful, lasting solutions, with each decision being grounded in its impact on the next decade and beyond.

Over the past year, the five long-term issues we addressed were:

- Assisting seniors,
- Supporting children and education on all levels
- Building the new Arizona economy,
- Ensuring homeland security, and
- Restoring our forests and protecting our water

Today, I am pleased to share with you the significant progress we have made in each area. More important, however, I want to outline some of the next steps we need to take.

Assisting Seniors

I want to start with my efforts to help seniors combat spiraling prescription drug prices. Throughout last year, my administration built a prescription discount program that takes advantage of the purchasing power of Arizona's large senior population. The discounts we negotiated have saved disabled and senior Arizonans more than \$1 million in less than seven months.

This was a good start, but it's about to get better. Beginning today, all Medicare-eligible Arizonans will receive a CoppeRx CardSM for prescription drug discounts. In contrast to the federal discount prescription drug card, the Arizona card is free, easy to understand, and carries more substantial discounts. And, unlike its federal counterpart, this card will not go away in 2006. The CoppeRx Card is here to stay, and it will help Arizona's seniors plug gaps left by the new federal Medicare law. It was created in Arizona for Arizonans, and it does more to help Medicare-eligible seniors than any other state discount card in America.

Beyond prescription medication, older Arizonans should know what benefits they are eligible to receive in order to maintain their health. Last year, Arizona seniors were not aware of at least



\$260 million in federal, state and private benefits that they could have applied for to improve their quality of life. To assist our state's seniors in receiving the benefits to which they are entitled, my administration will this year begin to implement the Benefits Check Up plan, a tool that any individual or organization can use to quickly ascertain eligibility for hundreds of government and private programs.

Supporting Children and Education

As we work to improve the lives of our senior population, we cannot forget the futures of our children. Arizona is internationally famous for its tourism attractions, its retirement communities, and its golf courses. Unfortunately, it is infamous for the number of children who live in poverty, start life without even basic immunization, and enter adulthood as high school dropouts.

Arizona must be more than a great state to grow old in. It must also be a great state to grow up in.

To build the new Arizona of our highest aspirations, we must enhance our commitment to Arizona's children and their education. This is where we stake our claim. This is where we create our legacy.

In the new Arizona:

- Every Arizona child must start first grade safe, healthy and ready to learn.
- As children advance through school, they must obtain the skills they will need to succeed in the 21st Century.
- And after they graduate from high school, they must have access to technical and vocational training, to community colleges and to universities.

Safety

Our most basic obligation to our children must be to ensure their safety, and that starts with a well-supported, well-run Child Protective Services. One month ago, we wrapped up a productive special session, from which came sweeping procedural reform and additional funds to ensure that CPS has the resources it needs to investigate every reported case of abuse or neglect.

CPS was empowered to hire more investigators, and existing employees were given long-overdue pay increases. Case managers began receiving basic tools to do their jobs effectively, like cell phones and car seats for small children. And foster parents received a long overdue increase in financial assistance to care for foster children.

This was an important first step to pulling CPS out of its state of disrepair. Now it is time to finish the job we started in special session.



Thousands of unsung heroes in Child Protective Services – especially investigators and case managers – are counting on us. One such hero is Loretta Montano, who has worked in the Winslow CPS office since she first volunteered there in 1987.

Loretta travels vast distances throughout northeast Arizona, working 20 to 30 cases at a time. Her supervisors describe her as an inspiration who delivers quality service even under the most trying circumstances.

Loretta is just one of thousands of dedicated employees who serve as Arizona's vanguards of child protection. Please join me in welcoming Loretta Montano here today.

On behalf of Loretta and those she represents, I take you on your word to provide funding for CPS to continue investigating every reported case of abuse and provide vital family support services through the end of this fiscal year and beyond. We cannot in good conscience allow CPS to slip back into the dismal state from which it is finally emerging.

CPS is now in a position to respond to emergencies, but the bigger challenge is preventing abuse before it escalates into a tragedy. The Legislature was right to establish Healthy Families in 1994, and it is time to build on this success story. My 2005 budget will contain a recommendation to double the Healthy Families budget, from \$7.25 million to \$14.5 million. This relatively small investment promises big dividends – safer children, more capable parents, and fewer abuse and neglect cases.

Health

No child is ready to succeed in life if he or she is not healthy, and low-income children are often the most susceptible to preventable illness. In most cases, low-income families lack health insurance and the ability to get their children medical screening until a health crisis occurs. By then, health problems that cause learning delays may have existed for years.

Because these problems most commonly affect children in school, I have asked the Arizona School Readiness Board to develop a plan to ensure that all children are screened for health problems prior to entering preschool and kindergarten, so that hearing, vision and developmental issues can be identified early on.

I have also directed AHCCCS to increase the number of children who have well-child visits, and I am urging private health plans to refer more children who are at risk for significant developmental delays to the Arizona Early Intervention Program.

This year, we also need to increase the number of children getting basic immunization. One in four Arizona children has not been immunized by age 2, which increases their rate of illness, and even mortality.

In the new Arizona, young people themselves are recognizing the need to be immunized, and they are taking the initiative to educate their fellow students on the need to stay healthy through inoculation. One remarkable student joins us today. Jacob Anzar is a member of the Pascua Yaqui tribe and a senior at Phoenix's Genesis Academy. For nearly two years he has led a group of teens who have designed, written and produced an ad campaign to educate children



on the importance of immunization. The student group, called Immunizers, is run entirely by students led by Jacob.

The campaign reaches thousands of students with the message that immunization is easy and important for their health. Please join me in congratulating Jacob Anzar on his accomplishment.

Education

We need our children to be safe and healthy when they enter school, and we must provide them with an educational setting that prepares them for the 21st Century economy. The business community has made very clear to me the best way I can help their businesses grow is to invest in a quality education system. We cannot simultaneously support the business community while opposing long-term investment in education. And true reform starts years before students enter the first grade.

Clearly, the seeds of academic failure are sewn very early in life. But so are the seeds of success. If Arizona is ever to improve the academic performance of its school children, it must tackle the issue of early childhood care and education. Here is what we must do:

Quality, affordable childcare and preschool

First, the time has come for Arizona to establish a quality rating system for Arizona's childcare and preschool providers – a system that for the first time will give parents the information they need to ensure their children are in quality settings.

This year we will work with private childcare providers and government agencies to establish a quality childcare rating system, identify tools and resources to meet standards of quality, and prepare information for parents to adequately evaluate those centers.

Second, I have asked the School Readiness Board to find new sources of public and private funding to help childcare providers ensure that they have adequate facilities and curricula to properly stimulate children's development. They must also have teachers who are properly trained and adequately paid.

Third, parents cannot support their children if they don't work, and many cannot work without assistance with the cost of childcare. We make an investment in our children when we support quality childcare assistance for working parents who need it.

We must devote more resources to childcare assistance for low-income working parents. My budget recommendation will include an additional \$24 million to substantially reduce the number of families waiting for assistance.

Full-day kindergarten

In addition to improved childcare, the time has now come for all parents in Arizona to have the option for their children to participate in full-day K.

The data is simply overwhelming that the combination of quality childcare and full-day kindergarten will reap rewards many times the financial investment we make now. Our children will be better prepared to learn, they will be less likely to drop out of high school, and



they will have higher academic achievement if we start them off on a stronger footing.

Accordingly, my budget will recommend first-year funding for voluntary full-day kindergarten to be phased in over the next five years. This phase-in begins where it is needed the most, in schools with at least 90 percent of students who participate in the federal free or reduced-fee lunch program. In years two to five of the phase-in, funding will be distributed to all Arizona school districts.

Reading literacy

Once children enter the first grade, we must nurture their ability to read – and that means adopting a system-wide focus on reading literacy. States that have focused on early literacy have seen the benefits throughout their public school system.

One strategy I have pursued to bring focus to the value of reading is to ensure that every first grade student in our public schools receives a book to keep and enjoy.

Last fall my office gave a book to all 80,000 first-grade students. It was the first book many of these children could call their own, and the response from students, parents and teachers has been overwhelming.

I want to thank everyone who helped make this happen, from county superintendents who distributed the books to the Arizona businesses that provided all financial support. Every parent and teacher should know that so long as I am Governor, every first-grade child in Arizona will receive a book.

To ensure that reading literacy is better-emphasized throughout elementary and middle school, I also am calling for improvements in the teacher certification process. We must insist on additional middle school literacy training, to empower teachers to aggressively attack reading deficiencies at every grade level, through the 8th grade.

Next month, I will request that the State Board of Education convene the Advisory Panel on Certification to address issues affecting reading literacy in our schools. The sooner we can move forward to retrain tomorrow's teachers, the better chance our at-risk students will have at learning to read at grade level.

Professional development of teachers

If any of these reforms are to work, they will work because of our teachers. We talk about improving education, but teachers have the responsibility of carrying out our plans.

We must foster a spirit of accomplishment among them. Teaching is a truly noble profession, and it should be recognized as such.

For a start, we must support teachers who provide education to our youngest children by offering scholarships so that they can improve their own education and thereby the education of preschool children.

This year we will build on a \$1.6-million-dollar early childhood educator grant we recently



received from the U.S. Department of Education, by implementing a statewide scholarship program for early childhood education teachers.

Second, every school should have master teachers in its ranks. Master teacher status requires rigorous study and preparation beyond basic teacher training, and a comprehensive depth of understanding of the topics taught.

Getting master teacher accreditation not only is challenging, it also can be quite expensive for teachers who seek it. This year I will establish the Arizona Master Teachers program, to secure public and private funding to help teachers undergo the necessary training to receive master teacher status. I will seed this effort with \$250,000 from existing funds that will be re-deployed for this purpose.

Finally, schools at all levels must have the necessary resources to provide excellent instruction, and since taking office I have insisted that they find new ways to better manage those resources. Last spring I challenged every school district in Arizona to convert an additional five percent of district operating budgets to classroom-related spending, and I gave them two years in which to do it.

The response has been very encouraging. So far, schools have converted nearly \$100 million into classroom-related spending, and they still have a year to complete the challenge. On average, that's \$100 more per year spent on every Arizona child enrolled in a public school – without an additional appropriation, and without additional taxes.

That said, let me be very clear: we must continue to invest in education. Last year I said I would not allow education to be targeted for cuts, and my position has not changed.

Higher Education

As we work to ensure all children receive the education they need to pursue their lives' ambitions, we must do more to open opportunities beyond high school, whether in technical training or enrollment at a community college or a university.

In particular, I am ready to work in partnership with Arizona's universities and community colleges to enhance access to a higher education, intensify university research efforts, and increase graduation rates.

Many other states cut funding to public universities and community colleges last year, but we did not. We recognize that higher education is the economic engine of the knowledge-based economy we are seeking to build in the new Arizona.

My budget recommendation for this year will continue to invest significantly in Arizona's universities and community colleges so that they can continue to grow into their new and more vital 21st Century role.

Building the new Arizona economy

We have made great strides in the past year to renew our economy, and much of it has centered around our public universities as economic drivers. Together, we authorized them to construct



more than \$400 million in new research facilities that will serve as incubators of innovation, creating the new knowledge that will drive the high-tech economy of the new Arizona.

Together, we referred a crucial constitutional amendment to the voters, to allow easy transfer of newly-developed technologies to private-sector development. I am confident the voters will agree that this constitutional amendment is good for Arizona.

Developing the Knowledge-Based Economy

The Governor's Council on Innovation and Technology recently released a blueprint for developing Arizona's tech industries, so that we can become pace setters in an increasingly competitive arena.

I plan to implement this strategy, which includes a package of legislation to establish early stage and venture capital investments in Arizona's growing innovative industry sectors. We must invest in these high-tech sectors and in our rural economies, to ensure growth in the number of high-paying jobs in Arizona. My legislation will help us to do just that, and it will not require money from the General Fund in 2005.

More than 20 states have made similar investments, and we must do the same if we are to compete for the future.

Trade with Mexico

Trade with Mexico represents another tremendous opportunity to expand Arizona's economy. I have worked hard this year to enhance our already-strong relations with Mexico through productive meetings with Mexico President Vicente Fox and Sonora Governor Eduardo Bours.

My administration continues to work through the Arizona-Mexico Commission and our counterparts in Mexico to further develop the Canamex Corridor and Cyberport capabilities to expedite the transport of goods to and from Arizona. And this, my friends, means more quality jobs for Arizona.

Base preservation

As we retool our economy, important work must be undertaken to preserve another economic giant in Arizona, our network of military facilities.

Our-military bases contribute \$5.7 billion and 83,000 jobs to Arizona's economy. These bases played a key role in America's military operations last year. For instance, every F-16 and every A-10 pilot flying in Iraq and Afghanistan was trained at Luke or Davis-Monthan Air Force bases. And personnel at Fort Huachuca coordinated the entire communications system established for Operation Iraqi Freedom.

Protecting the missions of Arizona's military bases is essential to preventing their closure. My military facilities task force has engaged communities surrounding our military bases to develop the necessary strategies to accomplish this, so I am asking you to approve a legislative package that includes:



- First, clarifications in state laws to ensure our statutes reflect the value of all of our military installations and their long-term presence in Arizona.
- Second, \$1 million this year to create the Military Installation Fund, to be used by state and local authorities to support projects that protect our bases from urban encroachment.

After 2005, I propose that for the next 20 years we divert 5 percent of existing state tax returns – up to a maximum of \$3.5 million per year – already collected from active-duty, National Guard, reserve and retired military personnel to maintain this fund.

In addition, on the advice of the military preservation task force, I have already established a fulltime presence in Washington, D.C. to represent Arizona's interests with the military and other areas. Without a permanent presence in Washington, we will fall behind.

I cannot leave this topic without taking a moment to acknowledge the thousands of Arizona men and women who are serving overseas in Operation Enduring Freedom. And I want to acknowledge the hard-working families they have left behind here at home. Whether they are in active duty, the National Guard or the reserves, their bravery and dedication deserve our full support and our deepest gratitude.

Ensuring Homeland Security

On the home front, 2003 was a year in which we turned considerable attention to homeland security. We just emerged from the fourth "Code Orange" security alert in 12 months, underscoring the need for us to be in a constant state of readiness for any threats that may emerge.

Securing Arizona

To ensure that Arizona is as prepared as possible, my administration completed a comprehensive homeland security plan this summer, making Arizona the first state in the nation to have such a plan. We brought part of that plan to life in November, when we conducted a first-in-the-nation border security exercise with our counterparts in Mexico. And we established a statewide mutual aid agreement among all our fire departments – something that helped during fire season and will be vital to respond to any possible terrorist attack.

211 System

For 2004 we will continue work on a statewide 211 system, a phone number similar to the 911 system that residents will be able to dial for critical health and safety information in times of emergency.

A comprehensive homeland security plan for authorities, combined with a 211 system to help citizens, is forming a web of readiness that is making Arizona a stand-out state for emergency preparedness.



Preserving Our Land and Protecting Our Water

The final priority I have to report on involves Arizona's environment. For the past year we have worked hard to preserve our precious water resources and fight drought and wildfire with every tool at our disposal.

Wildfires

While we can be thankful that 2003 did not bring another wildfire like Rodeo-Chediski, we did not escape without devastation. The Kinishba fire threatened Whiteriver and several other White Mountain communities, and the Aspen fire completely overran the mountaintop community of Summerhaven.

The drought is still with us, along with overly-dense forests being decimated by bark beetles. Our forests and the communities within them have never been so threatened.

In 2003 state government, firefighters and local communities came together as never before to confront the quiet catastrophe of dry, overfueled forests. Last spring I convened a forest health summit in Prescott to bring together all stake-holders – including those who normally share no common ground in forest management.

The cooperation was historic, and the group forged consensus on how to reduce excess fuels on the perimeters of threatened forest communities.

In addition, I directed that prison inmate crews work alongside local contractors to build fuel breaks and clear evacuation corridors around communities like Pine, Strawberry and Flagstaff. And the State Land Department devoted its resources to reduce excess fuels on forested trust lands throughout Arizona.

In just one month, our prison inmates treated more forest lands in the Tonto National Forest than the U.S. Forest Service did all last year. We must continue to do our part on state-owned lands. Our mountain communities are depending us, and we cannot disappoint them. For next year, my budget will include funding to double the number of inmate crews assisting in tree thinning near forest communities.

Arizona is doing all it can to protect against the silent disaster of drought and beetle infestations, but the hard truth of the matter is that most of the forests that need treating are on federal land. And while Congress recently passed a forest health bill, it did so with inadequate funding and therefore no real promise of action.

The federal government must do more to protect Arizona's forests and adjacent communities. Last summer I requested funding to address this emergency in Arizona, but unfortunately, the Federal Emergency Management Agency declined the request.

California made a similar request, hoping to head off more megafires in that state. Ironically, FEMA rejected California's application just eight hours after the outbreak of October's devastating wildfires there. Arizona's rejection letter came days later.



Federal disaster aid is best spent before fire ravages communities, not after. We should not have to present FEMA with the ashes of trees and homes to get their attention. I will continue to urge the President to recognize that we already have a disaster on our hands. Dispatching prison inmates to our forests will help the problem, but it will not solve it. We need federal help on federal land to ensure that this crisis is not needlessly worsened.

Drought Management

As we have fought to restore our forests, we are also fighting to protect our water. Last year we reached an historic agreement limiting the amount of water California can siphon from the Colorado River. We implemented a plan to guarantee that our most drought-prone communities will have a supply of potable water. And this year we will release a long-term drought management plan for our growing and thirsty state.

2005 Budget

Finally, an important legislative task confronting us this session will be, as always, the state budget. And while we continue to face a deficit, it will be less than one-third the size of the deficit we faced last year. On Thursday, I will release a budget proposal that is fiscally responsible, provides funding for the priorities I have discussed – and does so without raising taxes.

We are able to do this, in part, because the efficiency of government has been greatly enhanced over the past year. My Efficiency Review team has worked with thousands of state employees to identify permanent savings and cost avoidances that will save the state at least \$843 million over the next five years alone. I am pleased to submit a budget that will fund a leaner, smarter government for the new Arizona.

And by the way, it is time to address the issue of state employee pay. My budget plan will include a pay increase for all state employees.

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In closing, out of last year's devastating Aspen fire came a story of inspiration – one that illustrates the grit and the optimism for which the people of Arizona are famous.

Shortly after it was confirmed that the Aspen fire had overrun tiny Summerhaven in southern Arizona, I visited its residents.

I was astounded at their positive state of mind. Though their community had been destroyed by fire, there were few tears. And there was no finger-pointing. There was only resolve to rebuild.

Even as fire continued to rage out of control in the nearby Catalina Mountains, these remarkable Arizonans had already begun planning to rebuild their community. They formed committees to tackle various issues with the county, the state and the U.S. Forest Service. All they asked of me was help from my staff in coordinating their rebuilding efforts.

One leader of the Summerhaven community was Ross Quigley, president of the Mount Lemmon Homeowners Association. He has coordinated many of his neighbors' recovery



efforts, and has served as point-person to my staff throughout Summerhaven's inspiring comeback. He is with us today. Please join me in congratulating Ross Quigley and the Summerhaven community he represents.

Today, Summerhaven is well on the road to recovery. And in a larger sense, so is Arizona. We are on the road to recovery because we have found within ourselves the resolve and optimism to return Arizona to the grandeur of its roots.

I look forward to working with all of you this legislative session to continue to build the new Arizona. After a year of hard work, the state of our state is strong, and growing stronger every day.

Thank you.